



**NATIONAL LOW INCOME
HOUSING COALITION**

*Dedicated solely to ending America's
affordable housing crisis*

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presented to
Federalism and the Census Subcommittee of the Government Reform Committee
United States House of Representatives
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Chairman Turner, Ranking Member Clay, and members of the subcommittee, thank you for the invitation to testify today on the Community Development Block Grant. I am Sheila Crowley, President of the National Low Income Housing Coalition. The National Low Income Housing Coalition is solely dedicated to ending the affordable housing crisis in the United States.

I speak today on behalf of our members, who include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing and homeless coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. While our members include the wide spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus on what is in the best interests of people who receive and those who are in need of federal housing assistance. Of particular concern to NLIHC are the lowest income people with the most serious housing problems, including people who are homeless.

Prior to coming to Washington to work on federal housing policy, I spent two decades working at the community level with many years of interaction with local housing and community development officials. I also conducted a dissertation on the implementation of consolidated planning in and among three entitlement jurisdictions in 1995, the first year of the consolidated plan. Thus, my community-based practice and research inform my views of the CDBG program.

Let me say at the outset that there can be no doubt that CDBG has been a force for enormous good in every low income community in the country. The resources that the federal government has distributed to cities, counties, and states through the CDBG program in the last 30 years have contributed to the improved well-being of untold numbers of Americans. There is no policy justification for reducing the level of funding for CDBG. Moreover, NLIHC adamantly opposes the proposed consolidation of CDBG and 17 other programs into a single new block grant housed at the Department of Commerce.

However, any public program should be appraised periodically and adjustments made to assure that the program is responsive to contemporary needs and emerging problems. It is both appropriate and prudent for Congress to undertake an examination of the goals, objectives, and results of the CDBG program and consider changes that will update and improve it. I will focus on two areas of potential change for your consideration.

Accountability. OMB has been critical of CDBG, labeling it ineffective in its PART analysis. The criticism is based on OMB's assessment that grantees cannot demonstrate results that have been achieved with CDBG funds. This seems to be a case of imposing accountability on grantees after the fact. Congressional intent, as reflected in the statute, is that grantees have wide latitude in how they choose to spend their funds. The range of eligible activities is considerable, the income targeting is higher than other federal programs, the planning requirements are limited, and the reporting requirements are perfunctory.

As the committee members well know, CDBG was created in 1974 by consolidating several federal categorical urban and anti-poverty programs into one block grant. The 1974 Housing and Community Development Act, which created CDBG, also required that grantees prepare a Housing Assistance Plan (HAP). As a result, many entitlement jurisdictions did assess their housing needs and used their CDBG funds accordingly.¹ However, under further devolution in the 1980s, HAPs were no longer required. Planning requirements on housing were reestablished in the 1990 Cranston-Gonzalez National Affordable Housing Act with the Comprehensive Housing Affordability Strategy (CHAS). The CHAS is the primary statutory basis for the Consolidated Plan (Conplan), which was created by HUD in 1994.

The Conplan was another attempt to consolidate and streamline what was required of entitlement jurisdictions to receive federal housing and community development funds. The Conplan combines into one document the CHAS and the annual applications for CDBG, the HOME block grant, the Emergency Shelter block grant (ESG), and the Housing Opportunities for People with AIDS (HOPWA) block grant. The intent of the Conplan was to increase both the autonomy and accountability of entitlement jurisdictions in the use of the federal block grants. The Conplan includes an assessment of the full range of housing needs and non-housing community development needs.

OMB determined in President Bush's Management Agenda that the Conplan needed be even more streamlined and results oriented, and in 2002, HUD undertook the Conplan Improvement Initiative (CPII). CPII is theoretically still underway; the most tangible result was the publication of a proposed rule on December 30, 2004 that would "amend the consolidated plan regulations...to make clarifying and streamlining changes that are expected to

¹Hays, R.A. (1995). *The federal government and urban housing: Ideology and change in public policy*. 2nd ed. Albany: State University of New York Press.

make the consolidated plan...more results-oriented and useful to communities in assessing their own progress towards addressing the problems of low income areas.”²

The Conplan has the strong potential of being a mechanism by which CDBG communities can be held more accountable for how their funds are used, but there are two serious flaws. The first is that there is no statutory requirement that jurisdictions actually spend their federal block grant dollars, including CDBG, on the needs identified in their Conplans. The Conplan requires that the jurisdiction assess the number of extremely low income, low income, and moderate income households who need affordable housing and to whom the jurisdiction will provide affordable housing. However, jurisdictions are not required to demonstrate that extremely low income people are actually aided by CDBG funds. Projects funded with the block grants simply have to be eligible activities under the statute. Congress could easily remedy this disconnect by requiring that block grant funds be spent on identified needs.

Rectifying the second flaw is more complicated. HUD has limited capacity to monitor what jurisdictions do with their funds and to hold any jurisdiction accountable for less than adequate performance. HUD’s workforce was cut in half in the 1990s, without a concomitant reduction in HUD’s statutory duties. Moreover, the political fallout from HUD challenging how a jurisdiction spends its funds has the potential of being unpleasant. If Congress wants HUD to assure that jurisdictions spend their federal block grant dollars appropriately, HUD needs enough of the right staff who have the right authority to be able to do so. There also need to be consequences for failure.

Concern is raised periodically about CDBG funds being used to supplant local funds that should be allocated for community development purposes. The CDBG statute expressly addresses supplanting by stating that Congress intends that CDBG funds “not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to” the enactment of CDBG. However, supplanting can only be prevented if HUD is capable of monitoring how funds are used and take action if it occurs.

My study of the implementation of consolidating planning includes the following finding:

HUD is nearly irrelevant...HUD distributes entitlement funds as long as Congress appropriates them and localities fill out the paperwork. This leaves entitlement jurisdictions with little incentive to be accountable to HUD’s mission.

²Department of Housing and Urban Development. (2004, December 30). *Federal Register*, “24 CFR Part 91, Revisions and updates to Consolidated Plan; Proposed Rule.” pp. 78830-78843.

...three factors contribute to HUD being sidelined as meaningful partner in the local process. One,...HUD's irrelevancy to local stakeholders is a function of the level of funding HUD provides each jurisdiction. HUD's participation in the local funding mix is minor. HUD therefore has very little power to compel or prevent local action.

Furthermore, HUD is not inclined to use what power it has for fear of being overly prescriptive and perceived as overbearing. HUD's limited influence...is a case of political timidity couched in the devolutionary rhetoric of "locals know best."

Finally,...HUD's irrelevancy...is partially a result of HUD's ambitious agenda with multiple goals. It is difficult to get a sense of a coherent national agenda when (there are) several national agendas. Further, localities have a smorgasbord of loosely defined eligible activities and no mandate to even spend funds on the most pressing needs.³

The lesson of this current crisis of confidence in the CDBG program is to be careful what you wish for. It is precisely the flexibility and autonomy that entitlement jurisdictions want in the CDBG program that has created the conditions under which Congress questions the effectiveness of their use of CDBG funds.

Income targeting. An important improvement to the CDBG program, which would go a long way to making the program more accountable, would be to lower the income targeting requirements. Current income targeting is that 70% of CDBG funds benefit people with incomes at or less than 80% of the area median. Eighty percent of AMI is approximately \$40,000 a year on a national basis. The remaining funds can be used for prevention or elimination of slums and blight or to meet an urgent need, with no income limitations.

The third of the nine purposes for CDBG as defined in the statute is the "conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income." Currently, about a quarter of CDBG funds are used for housing.

According to the 2003 American Community Survey, on a national basis, there are 6.3 million households with incomes at or less than 30% of the area

³ Crowley, S.(1998). *A constructivist inquiry of the interpretation of federal housing policy in and among three entitlement jurisdictions*. Richmond, VA: Virginia Commonwealth University. Unpublished dissertation.

median (AMI) who pay more than half of their income for housing.⁴ (Attached are data that show the distribution of severe housing unaffordability on a state by state basis.) This income group is by the far those with the most serious housing problems. Yet none of the federal programs that provide funds for housing production, preservation, and rehabilitation are targeted to those with the most need. (See attached chart of federal housing programs.)

An important reform to the CDBG program would be to improve the income targeting. (H.R. 1191, a bill introduced in the 107th Congress, would have required more effective targeting of CDBG funds.) In the very least, all CDBG funds should be directed to benefit people with incomes at or less than 80% of AMI. Further, deeper income targeting of some portion of the CDBG funds and a requirement that a greater portion of CDBG funds be used for housing are in order.

Another way to more directly target the CDBG funds to needs would be to consider housing cost burden as a factor in the CDBG formula. Housing cost burden is by far the most serious housing problem today. The housing factors currently in the CDBG formulae, overcrowding and age of housing stock, are much less relevant indicators of need that they were 20 to 30 years ago. Concern has been raised that communities with large college student populations will have a high number of households with high housing cost burdens that are not composed of low income families. It should be a relatively simple task to count and exclude college students from any housing cost burden calculation.

This subcommittee has responsibility for examining the relationship among the three levels of government and considering the appropriate roles of the federal, state, and local government in assuring the well-being of the American people. Housing and community development are clearly local and regional concerns, which also require active federal intervention in order to find solutions to pressing and persistent problems. My view is that the federal government has three major roles in housing and community development.

The first is to establish national standards for decent and affordable housing and healthy communities. Decent housing in a suitable living environment for every family is our national goal. A citizen in one state or community should not have a poorer quality of housing than citizens in another state. Only the federal government can balance the inequalities among states and provide the leadership necessary to solve national problems. National standards mean there should be a social minimum that gives each American access to decent housing. Providing housing subsidies and requiring that subsidies go to those with the greatest need are basic federal responsibilities. How housing is

⁴National Low Income Housing Coalition (2005, May 12 draft). *Who's living in severely unaffordable housing?* Washington, DC: Author.

actually produced is best decided at the local level. Setting national standards is not enough however. The federal government must enforce standards with strict guidance and monitoring.

The second major federal role is to generate the funding necessary to achieve national goals and standards. Only the federal government has the capacity to bring sufficient resources to bear on low income housing and community problems.

Finally, it is the responsibility of the federal government to insure basic civil rights by prohibiting and preventing discrimination. Protection and enforcement of civil rights must never be devolved.

Thank you for the opportunity to testify today.